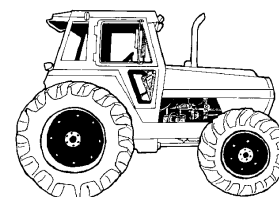


Tips for Buying Farm Equipment

Agriculture and Natural Resources Fact Sheet #514

The right equipment is essential to farming, but farm equipment is expensive to purchase and maintain. Before purchasing farm equipment take a good look at your operation and consider all your options. Here are some ideas to help with your farm equipment decisions.



Assess your needs

The first step in deciding about farm equipment is to assess your needs. Consider the following:

- what you can afford,
- what size will serve your needs and what features you need,
- what level of dependability you need,
- how the equipment will fit in with your current equipment,
- can it serve multiple purposes and can it be adapted to future uses?

New or used equipment?

Deciding whether to buy new or used equipment is an important step. Both new and used equipment offer advantages and disadvantages.

Though generally more expensive, new farm equipment offers several advantages:

- Warranties,
- Greater reliability,
- Income tax considerations,
- New technology (resulting in increased efficiency, productivity, and so on),
- More easily obtained financing.

In some cases, however, used farm equipment may be appropriate:

- When new equipment is not affordable or not economically efficient,
- For use as backup equipment,
- For less-critical or low annual usage tasks,
- For starting a new farming venture (lending institutions may specify used equipment).

Buying used equipment

Remember all equipment is designed with a limited number of hours in it. Buying used equipment means you purchase the remaining unused service life of the machinery. Consider how the equipment has been used, main-

tained, and repaired and remember that most used equipment does not come with any guarantees. Table 1 offers some guidelines for determining the amount of service life remaining.

Table 1. Typical Service Lives of Farm Equipment

<u>Machinery</u>	<u>Wear-out life¹ (hours)</u>
Combines	2,000
Crawlers	16,000
Drills	1,000
Planters	1,000
Plows	2,000
Swathers	2,000
Tillage Equipment	2,000
Tractors	12,000

¹Point at which it is typically no longer economically feasible to continue repairing equipment.

Generally, machinery that has lower average annual usage than the typical values listed in Table 2 would be priced higher than the going rate for such equipment and vice versa. The age of equipment is generally weighted more than accumulated hours of usage, however, a lower hour machine would generally be the better buy.

Table 2. Typical Values of Annual Use (Row Crops)

<u>Machinery</u>	<u>Annual Use (hours)¹</u>
Combines	300 (200-350)
Crawlers	1,200 (600 to 2,000)
Tractors	1,000 (400 to 1,600)

¹Typical values only. Annual use can vary widely from these values.

Buyer Beware

Buying used equipment is not risk free. Following are some pitfalls to watch for:

- Small utility tractors with front end bucket loaders. These are often used for a lot of stop and go action that is hard on the transmission and clutch, and front end loaders are hard on front axles and front tires.
- Farm tractors used in the construction industry. Farm equipment is not designed to endure the rigors of construction.
- Fire, water, flood, or accident damaged machinery. The extent of the damage can be hidden and therefore hard to determine. Consider damaged equipment only for parts.
- Manufacturers that have gone out of business. Parts can be difficult to get and later trade-in value will be much less.
- Technical specifications between model years. An old model can give similar performance specifications at a fraction of the cost of the “new” model.
- Different models from the same manufacturer may not be substantially different. This means low end models of the family may be overdesigned and should give longer service life with less trouble from major components.
- A machine’s age and hourly meter should be in balance. See Table 2.

Tips for buying used equipment

- Buy from a reputable source—the safest route for the inexperienced buyer is to deal with a reputable local farm machinery dealer.
- Look beyond a new coat of paint. Try to see what is behind it.
- Check the equipment thoroughly. Give it a test drive.
- Shop around—look at several pieces of equipment from more than one source.
- Plan ahead and don’t be forced to buy at the last minute.
- Remember that some equipment makes and models hold their value better than others over the years. Do some research.
- Keep in mind older tractors are generally less reliable.
- Insist on receiving a copy of the owner’s manual and read it!
- Get all promised warranties and guarantees in writing.
- Be sure to ask why the equipment is being sold. Usually, the reasons are the equipment no longer fits the needs of the farmer, or it is no longer a dependable piece of equipment. Beware of the latter.
- Beware of equipment sold at auctions (unless you know the previous owner) because such equipment often cannot be sold any other way.

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Alternatives to buying farm equipment

Purchasing a big piece of equipment is not for everyone. Farm equipment, like tractors, may not be the ideal tool for every job. Alternatives include:

Renting machinery—for occasional jobs, most equipment can be rented for reasonable fees, and many places will deliver and pick up the equipment.

Hiring an independent contractor—This option, also known as **custom farming**, offers something for those with and those without farm equipment. Farmers with equipment can offset their costs by offering farming services such as tilling, haying, or seeding to farmers who prefer not to purchase their own equipment. Ask at your local feed and seed store or local auction house for names of custom farming contractors. You can minimize the time you pay for by doing preliminary work ahead of time.

Sharing costs—If rental fees or contractors are more than you can afford alone, consider sharing costs with one or more neighbors who have other small jobs.

Borrowing—a time honored practice, borrowing from friends, neighbors, or relatives is still acceptable. Be sure to return equipment in better condition than when you received it and be prepared to reciprocate in the future.

Bartering—exchange a service you can perform for time

Purchasing Equipment

Once you have decided on a particular piece of equipment find out the asking price. Don’t spend time on mechanical evaluations if the asking price is too high. On the other hand, be wary of prices that are drastically below market value. There is usually a good reason for the low price. Financing should be considered separately from the purchasing decision. Great financing will not make the equipment run any better. If possible, contact the previous owner of used equipment. Also, see if you can bring the equipment home for a trial run.

Where to buy equipment

Sources for new and used equipment include:

- local farm machinery dealers,
- used machinery dealers,
- friends, neighbors, or relatives,
- farm auctions or dispersal sales,
- commercial farm machinery auctions.

Sources:

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**Alternate formats available upon request.
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